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SECURITY INFORMATION

6 November 1953

Chief, Economic Research

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Estimates File

1. Rationale--Economic intelligence is analysis and evaluation of a foundation of economic information, mostly quantitative, with the object of solving problems related to national security. Since the problems are varied and in large measure unpredictable, the foundation of information must have a broad base. The alternative to working with masses of data is poor intelligence; the only way to avoid being swamped by the data is to put it into systematic and flexible order, so selections of any of the characteristics likely to be required can be made quickly and inexpensively. This calls for division of labor in many directions, some crisscrossing others. There should be decentralized branch files ordered primarily on the basis of commodities or other functional lines; and there must also be centralized files ordered, or subject to selection, on other bases, such as country, kind of estimate, year, and reliability.

The data must be of mixed reliability. There is only a limited range of problems that can be met with the use of highly reliable information; there is simply no way of avoiding use of information in which we have less confidence than we should like to have. The best economic intelligence is not only that which contains only completely reliable information; it is also that which, while helping to solve relevant problems, accurately describes its reliability.

Reliability may be determined by source, independent verification, or consistency. Systematic research procedures and systematic ordering of all pertinent information are indispensable to the evaluation process, just as they are to the analytical process. For centralized evaluation there must be centralized assembly of all pertinent information.

Data will also be on different levels of generality. Some will be fragments and others will be aggregates of fragments or aggregates of aggregates. The point to stress is that, though each fragment may be of little significance or reliability in itself, it takes on added significance and reliability when combined and compared with others. Many aggregates will be much more reliable than each of the pieces from which they are constructed. Moreover, the importance of each datum is revealed only in the context of all relevant data.

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NO CHANGE IN CLASS. ☐

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Therefore, I do not believe that the Estimates File can be useful unless (a) it contains a large mass of information, (b) that information is distinguished as to degrees of reliability, and (c) a simple but effective ordering system is used. This is not to say that every tidbit should be included, no matter how trivial; specific limits should be set to the kinds of information fed into the system. But within those limits there should be virtually no restraints on the amounts of information moving into the file so long as that information is useful. The way to handle large masses of relevant data is not to throw them away but to devise better methods for processing them, which, I believe, can be done at little expense.

2. Scope--It is difficult after only a very brief survey to set any precise limits to the scope of the file. The following may provide a basis for more careful examination.

The basic list of commodities and activities covered should be those rated as "important" and "significant" (priorities 1 and 2) in the ORR Standard Classification of Economic Activities. The present ratings may have to be reviewed and revised, but the principle remains the same. A secondary list may consist of other items for which Bloc countries publish data or for which the DD/I or DCI, or other important requester, desires to have figures.

The types of information recorded should fall into categories such as production, inventory, productive capacity, input patterns and requirements, use patterns and requirements, and reserves. Several of the categories now in the File can be eliminated (e.g., exports and imports, since they are covered in S/TF). Each of these should be subdivided into "planned" and "actual" categories.

Each country of the Bloc should be covered, and some information for the US, to be used for purposes of comparison, should be included.

The major effort should be concentrated on keeping the file current, the backlog of historical information being accumulated as it is prepared for specific projects.

3. Organization--I do not feel prepared to offer concrete proposals with much confidence. I should suggest the following ordering sequence in the manual file:

- a. Major file division (see below).
- b. Country or area.
- c. Type of information.
- d. Plan--actual.
- e. Item (by product code).
- f. Year.

There might be four major file divisions, containing respectively:
(a) approved ORR estimates and direct information from Bloc countries, (b) branch

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and division estimates, (c) estimates made by other intelligence agencies, and (d) information from all other sources. The cards in each file should be clearly distinguishable, possibly by difference in color.

4. Reporting--The basic principle should be maximum reporting by analysts in their areas of responsibility. This is recommended for two reasons: (a) it instills needed discipline and orderliness into the work of analysts and (b) it relieves the Estimates File Group of otherwise overwhelming clerical chores. I cannot see how reporting of estimates, in the categories covered by the file, need be anything more than a routine operation in the branches. I cannot see how they could argue that they were doing their jobs adequately without keeping such a file on their own. At most, this should mean adding a carbon copy. I am not sympathetic to analysts' complaints except as they stem from a feeling that they are being asked to turn in estimates on everything conceivable in their areas of responsibility, whether they can make them or not. It is clearly the duty of the Estimates File Group or St/PR to spell out what items are to be included and to demand no more of the branches in the way of making estimates than is demanded of them by the ORR research program. The only independent demands are those imposed by the Director's Handbook, which is discussed below. These qualifications aside, I see no reason why compulsory reporting by branches, of the nature described, should impose any additional burden on them. Nor should a requirement of periodic editing of the files. In addition to their own estimates, branches should be made responsible for reporting officially published information and estimates by other intelligence agencies that fall in their areas of responsibility. The best way to enforce reporting is to use the file as an up-to-date source of estimates, direct requests being made of branches only in exceptional cases.

The ORR approved estimates should be recorded by the Estimates File Group, from the RR's as they are published.

5. Grading of Reliability--I have no simple answers to this problem. I suggest as a possibility that a dual system be used:

a. A letter designating the type of source and/or method, ranged from most to least reliable in general (e.g., "A" might mean official Soviet publications and other primary sources; "B," aggregation by good techniques; "E," prisoner of war interrogations; etc.).

b. A number indicating probable reliability, ranging from excellent through poor to unknown.

In addition a suffix or prefix should be used to designate who has made the evaluation.

Initially, most estimates will have relatively low reliability by any standards, but the general level should rise as evaluation and research procedures improve.

6. Housekeeping--I do not believe that the staff can be reduced below its present strength. However, it will never function properly unless the

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analyst in charge has some professional economic training and a good empirical sense. He must be able to work with masses of information without getting lost in details. He must be able to discriminate trivial and unnecessary refinements from the required systematic processing.

The staff was originally set up as a self-contained unit, sufficient to prepare the statistical publications as well as to handle the File. The DD/I has repeatedly emphasized in the past that the Director's Handbook must be kept up-to-date; the Statistical Summary must also be periodically revised. The clerical job is substantial. However, with the publication brought under control and with adequate branch reporting, the TO clerical force should be able to keep the files in good order. Some recommendations on publications are given below.

A little imagination would suggest many ways to simplify filing problems. For instance, time series could be recorded on a single card, summary cards covering each product could be made, and so on.

7. Continuing projects of Estimates File Group--As far as I can determine with brief reflection, the six projects other than maintenance of the File are all important and probably best placed in the Estimates File Group. The Handbook of Standard Statistical Practices should, however, probably become a section of the Research Procedures Manual, rather than a separate publication.

The two Statistical Handbooks need considerable improvement in format and simplification. With appropriate changes the burden imposed by them can be considerably reduced without impairing their usefulness. I should make the following hasty recommendations:

a. Statistical Summary for the Economic Intelligence Handbook.

(1) The number of commodities covered should be reduced to those in ORR's basic list, plus any others demanded by important consumers.

(2) The Handbook should be sectioned by type of information (e.g., production, inventory, etc.) It is likely that all inventory figures, for instance, could be segregated into a single table to stand separately. At present each table is crammed with so much information as to be unreadable.

(3) Reliability of data should be somehow indicated.

(4) Most data for pre-World War II should be eliminated. Possibly key dates like 1928, 1932, 1937, and 1940 could be retained. Simple graphs could be added as appropriate tracing out trends.

(5) The format of tables could be improved to lead to better readability and less work in compiling them.

b. The Director's Handbook.

(1) There are too many data in this book. The number of items covered should be reduced. Moreover, the most important items in each general category should appear in tables apart from those with the less important.

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(2) The book should be sectioned by type of information, except in the case of military end items.


(3) Format of tables could be simplified and readability improved.

The primary objective in the Handbooks is to provide timely, useful, and inexpensive publications. Contents and format must be designed accordingly. As the Statistical Summary now stands, it can easily swamp all other work of the Group. Proofreading alone is an overwhelming chore. I think that a little imagination can go a long way in reducing the bulk and burden of these publications.

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Distribution

1 - AD/RR

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